

The Variable Annuity Life Insurance Company (VALIC), Houston, Texas

AN INTRODUCTION TO VALIC'S POLICY LOAN PROGRAM

Participating in VALIC's policy loan program allows you access to your funds without the taxes and charges that often accompany a withdrawal. There are important provisions to your loan that you should be aware of, so please take a moment to read this information which contains helpful questions and answers regarding your VALIC policy loan. Please keep this document for future reference.

ARE THERE ANY FEES ASSOCIATED WITH TAKING A LOAN?

A \$60.00 processing application fee may apply to your loan which will be considered part of the total loan amount. This fee is not applicable in certain states. To determine if this fee applies to your loan, please contact our Client Care Center.

WHAT HAPPENS TO THE FUNDS USED TO SECURE MY LOAN?

A separate security reserve account is established which holds the amount of your loan, one payment's worth of interest, and any surrender charges which may apply if your loan is not repaid.

WILL I RECEIVE A BILL?

Yes. You will be sent a billing notice 35 days before your scheduled payment due date. *However, if for some reason your notice does not reach you, your scheduled payment is still due by the due date in your loan agreement.*

WHERE SHOULD I SEND MY PAYMENTS?

For convenience, your bill will contain a self-addressed envelope which you may use to send your payments. The address all payments should be sent to is:

VALIC
P. O. Box 75930
Chicago, IL 60675-5930

CAN I MAKE PAYMENTS THROUGH PAYROLL DEDUCTIONS?

Some employers do have agreements with VALIC to offer their employees the option of payroll deductions for loan repayments. If available to you, it's a simple process of signing a VALIC agreement indicating how much and how often you want deductions made. We will then coordinate with your employer to begin deductions. Check with your employer to see if it offers this benefit.

HOW OFTEN CAN I SEND IN A LOAN PAYMENT?

Payments are due every 90 days from the effective date of your loan. However, you can send payments as often as you like as long as the amount due each quarter is paid by the scheduled due date. Remember to include your loan account number(s) on your check to ensure proper crediting. Note: Only one quarterly payment may be paid in advance. When making more than one payment in a quarter, any excess after two payments will be credited to the principal of the loan.

WILL I RECEIVE CONFIRMATION OF MY PAYMENT?

Yes. Payments will be reflected on your account statement. The statement will reflect the amount of principal paid on your loan and the amount of guaranteed interest credited to your account, both of which are returned to your regular account from your loan security reserve amount.

CAN I PAY MY LOAN BACK PRIOR TO THE FINAL DUE DATE WITHOUT PENALTIES?

Yes. You can contact our Client Care Center for a payoff quote and repay the loan at any time without any prepayment penalties.

WHAT HAPPENS IF I FORGET OR AM UNABLE TO MAKE MY SCHEDULED PAYMENT?

The IRS regulations regarding loan repayments are very strict. Any payments not received in full by the due date place your loan in jeopardy of default. Once in default, the unpaid balance plus accrued interest must be reported to the IRS as a distribution from your account. This amount will then be part of your annual taxable income subject to regular income taxes for the year in which the default occurred. If you are under the age of 59½, the IRS may impose an additional 10% penalty on the distribution. *If default occurs, you will receive an IRS Form 1099-R which should be used to report the distribution to the IRS when completing your taxes.*

ARE ALL LOANS SUBJECT TO FORECLOSURE ON DEFAULT?

Certain plans have restrictions which prevent us from immediately foreclosing on the amounts which VALIC has reserved as security for your loan. Therefore, if your scheduled payment was not made, we might be unable to immediately collect the funds placed on deposit to secure your loan. If this occurs, interest will continue to accrue on these funds until the restrictions no longer apply and the loan can be fully foreclosed. For additional information regarding the restrictions applicable to your plan, please contact your employer. If you default on this loan, you may not take out another loan under this or any other plan sponsored by this employer (or under a plan sponsored by any other employer related to the employer sponsoring this plan) until the defaulted loan has been repaid with outside funds or fully foreclosed.

WHOM SHOULD I CALL IF I HAVE ADDITIONAL QUESTIONS ABOUT MY LOAN?

For information about your loan or your VALIC account in general, call our Client Care Center at 1-800-448-2542.